

Project Title	2012 Agency Priority Ranking	Agency Project Request for State Funds (\$ by Session)				Governor's Recommendations	Governor's Planning Estimate	
		2012	2014	2016	Total		2012	2014
State Matching Funds for USEPA Capitalization Grants	1	\$17,077	\$17,077	\$17,077	\$51,231	\$17,077	\$17,077	\$17,077
Wastewater Infrastructure Fund	2	31,000	25,000	25,000	81,000	25,000	25,000	25,000
Total Project Requests		\$48,077	\$42,077	\$42,077	\$132,231	\$42,077	\$42,077	\$42,077

At A Glance

The PFA finances local government infrastructure, primarily clean water and drinking water systems, through low interest loans and grants. Since 1989 the PFA has leveraged \$227 million in state funds and \$878 million in federal funds through its revolving loan funds to finance \$3.1 billion in clean water and drinking water infrastructure projects.

Clean Water State Revolving Fund – FY 2011

- 37 loans for \$150 million made to local governments throughout the state
- \$26 million in interest savings to communities and their taxpayers

Wastewater Infrastructure Fund – FY 2011

- \$13.9 million awarded to ten projects in conjunction with CWRP loans to address affordability needs
- \$715,200 awarded to one project for a matching grant with U.S. Department of Agriculture (USDA) Rural Development

Clean Water Fund – FY 2011

- Total Maximum Daily Load (TMDL) grants: 12 awarded for \$7.3 million
- Phosphorus Reduction grants: four awarded for \$1.5 million
- Small Community WWT Program:
 - TA grants: ten awarded for \$260,500
 - Const. loans/grants: three awarded for \$481,023

Drinking Water State Revolving Fund – FY 2011

- 29 loans for \$77 million made to local governments and public water suppliers throughout the state, plus \$7 million granted as principal forgiveness
- \$17 million in interest savings to communities and their taxpayers

Transportation Revolving Loan Fund – FY 2011

- One loan for \$5 million made to local governments for transportation improvements
- \$1.5 million in interest savings to the community and its taxpayers

Credit Enhancement Program – FY 2011

- Provides limited state guarantee of general obligation bonds issued by counties (for law enforcement, social/human service facilities) and cities (for wastewater, stormwater, and drinking water facilities)
- FY 2011 participation: 27 bond issues for \$99 million.

Agency Purpose

The Minnesota Public Facilities Authority (PFA) is a multi-agency authority that provides municipal financing expertise and infrastructure financing programs to enhance the environmental and economic vitality of the State.

The PFA manages three revolving loan funds and several other financing programs to help local governments upgrade and construct wastewater treatment and collection facilities, to upgrade and construct drinking water distribution and storage facilities, and to address transportation, public facilities and other high-cost infrastructure needs.

Strategies

To achieve its goals the PFA implements the following strategies:

- target limited resources to high priority projects identified by regulatory agencies through their project priority lists;
- coordinate project funding with all other state and federal funding programs to leverage resources necessary to keep projects affordable;
- coordinate activities of various funding partners to minimize duplication, administrative costs, and confusion;
- maintain the credit quality (AAA rated) and viability of the PFA's revolving loan funds; and
- balance the current demand for project funding (including nonpoint source and point source needs) with the long term lending capacity of the PFA's revolving funds to maintain their critical role as important financing tools for high priority projects in perpetuity.

Est. FY 2010-11 Expenditures by Fund

SRF Clean Water Fund	78%
SRF Drinking Water Fund	14%
SRF Transportation Fund	3%
Other Funds	5%

Est. FY 2010-11 Expenditures by Program

SRF Clean Water Program	78%
SRF Drinking Water Program	14%
SRF Transportation Program	3%
Clean Water Legacy & WIF Programs	5%

Source: Minnesota Accounting and Procurement System (MAPS) as of 08/17/11. Excludes unemployment insurance benefit payments. Note that federal grants are received and expended in the SRF Clean Water and SRF Drinking Water funds above

Operations

The PFA is governed by a board consisting of six state commissioners representing the departments of Employment and Economic Development (DEED), Management and Budget (MMB), Health (MDH), Agriculture, Transportation (MnDOT), and the Pollution Control Agency (PCA).

The PFA is established in M.S. Chapter 446A. The commissioner of DEED serves as the Chair and is responsible for hiring an Executive Director with the consent of the Board. The Executive Director is responsible for staff of the PFA, program administration, debt issuance as authorized by the Board, and compliance with laws, regulations and disclosure requirements related to the PFA programs. The PFA has statutory authority to issue up to \$1.5 billion in revenue bonds to raise capital to make loans.

The PFA operates infrastructure financing programs in cooperation with the departments and agencies represented on the PFA board, and closely coordinates project financing with other state and federal funding partners. For all direct financing programs the PFA reviews the financial status and creditworthiness of the applicants and determines that full project financing is in place and that dedicated revenues are established to pay debt service and operation and maintenance costs.

The PFA operates clean water financing programs in cooperation with the PCA, which is responsible for ranking eligible projects, conducting environmental and technical reviews, and certifying approved projects to the PFA for funding. All clean water financing programs follow the PCA's Project Priority List which ranks projects based on environmental and public health criteria. Based on the project priorities and readiness to proceed, the PFA prepares an annual Intended Use Plan to identify the projects eligible to apply for loans through the Clean Water Revolving Fund (CWRF). The Wastewater Infrastructure Funding (WIF) program provides grants in conjunction with CWRF loans or USDA Rural Development financing to address affordability needs. The PFA administers three programs funded by the Clean Water Legacy Fund (dedicated sales tax) to assist municipalities to meet requirements for additional treatment and address unmet needs in unsewered communities.

The PFA also allocates funds from the CWRF for nonpoint source loan programs administered by the PCA (Clean Water Partnership loan program) and the Department of Agriculture (Ag Best Management Practices loan program).

The PFA operates the Drinking Water Revolving Fund (DWRF) in cooperation with the Health Department, which is responsible for ranking eligible projects on the Project Priority List, conducting environmental and technical reviews, and certifying approved projects to the PFA for funding. Based on the project priorities and readiness to proceed, the PFA prepares an annual Intended Use Plan to identify the projects eligible to apply for loans through the DWRF.

The PFA operates the Transportation Revolving Loan Fund in cooperation with the Department of Transportation (MnDOT). The program provides low interest loans to governmental entities for eligible transportation projects, including road, bridge, and transit projects. MnDOT is responsible for soliciting project proposals as loan repayments become available for new loans and ranking them on a competitive basis.

The PFA manages the capital assets of the three revolving funds, including federal capitalization grants and state matching funds, loan repayments, investment interest, and proceeds of revenue bonds issued to generate additional capital to make loans. Communities issue their general obligation bonds to the PFA to secure the loans, which are pledged to the repayment of

the PFA's bonds. The combination of equity assets, general obligation bonds from a large and diverse pool of borrowers, and the experienced staff and management practices of the PFA have achieved AAA bond ratings from all three bond rating agencies.

The PFA receives no general funds for administration. PFA administrative expenses are paid from application fees, service fees on loan repayments, and allowable set-asides from federal capitalization grants. The PFA also annually provides administrative support funding to the Pollution Control Agency and the Department of Health for their work with the Clean Water and Drinking Water Revolving Funds. Under MS 446A.11, Subd. 13, funds available to the PFA, unless otherwise indicated, are statutorily appropriated to the PFA and available until expended.

Key Goals

By providing for affordable basic infrastructure needs, PFA programs support the following specific *Minnesota Milestones* statewide goals:

- Economy: Minnesota will have sustainable, strong economic growth.
 - Goal 38: Growth in gross state product
 - Goal 39: Employment of working-age population
- Environment: Minnesota will improve the quality of the air, water, and earth.
 - Goal 64: Water quality in lakes and rivers
 - Goal 65: Nitrates in ground water
 - Goal 66: Erosion of cropland

Program output is measured primarily by the volume of grants and low-interest loans made. The amount of interest savings to local government borrowers and their taxpayers is another measure of program outcome.

Key measures		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Grant Awards*:	Count	25	43	39	67	60
	Amount (000's)	\$ 13,365	\$ 20,715	\$ 39,424	\$ 59,238	\$ 37,576
Loans made:	Count	77	51	47	75	70
	Amount (000's)	\$253,059	\$182,172	\$195,719	\$371,291	\$232,336
	Interest savings to borrowers (000's)	\$ 66,450	\$ 40,484	\$ 38,653	\$ 72,450	\$ 44,544
Includes principal forgiveness awarded from the CWRD and DWRP as provided under federal and state law.						

Budget

(000's)	FY 02-03	FY 04-05	FY 06-07	FY 08-09	FY 10-11 ^{1,2}
General	\$1	\$3	\$103	\$149	\$103
Federal	-	-	-	-	-
Other	\$330,045	\$555,868	\$692,999	\$507,722	\$1,178,692

¹ FY 2010-11 is as of MAPS closing, 08/17/11.

² FY 2010 expenditures include \$343 million for refunding prior debt issuances.

Federal grants are received and expended in the SRF Clean Water and Drinking Water funds, shown above as "Other".

Source: Minnesota Accounting and Procurement System (MAPS) as of 08/17/11.

Expenditures in FY 2012-13 are expected to decline from 2010-11 levels which were unusually high due in large part to increased debt service payments from refunding bonds issued by PFA to take advantage of favorable interest rates. Demand from local governments for project financing

for water infrastructure improvements has tapered off from the peak in FY 2010 but remains strong compared to historic averages. The bidding climate for public infrastructure projects is still quite good, and interest rates remain low. Local governments are much more cautious about taking on large projects but many still have serious infrastructure needs that must be addressed. Demand for project financing continues to be at least 2-3 times larger than the average lending capacity of the Clean Water and Drinking Water Revolving Funds. The PFA uses its bonding authority to approve larger project lists, however expected cuts to federal capitalization grants of more than 50% will make it difficult to keep pace with financing needs for high priority projects. Grant funds provided through the WIF program and the dedicated Clean Water Legacy programs continue to be an important financing tool that can be combined with Clean Water Revolving Fund loans to allow local governments to move ahead with high priority projects.

Contact

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At A Glance: Agency Long-Range Strategic Goals

The Minnesota Public Facilities Authority (PFA), Minnesota Statutes Chapter 446A, is an interagency financing authority governed by a board consisting of six state commissioners representing the Departments of Employment and Economic Development, Finance, Health, Agriculture, Transportation, and the Pollution Control Agency. The Commissioner of DEED serves as the PFA chair. The executive director is responsible for staffing, debt issuance authorized by the PFA, and compliance with laws, regulations and disclosure requirements.

The PFA manages three revolving funds, several grant and loan programs, and has authority to issue \$1.5 billion in revenue bonds to raise the capital to make loans. All major programs of the PFA are managed in conjunction with member agencies, which establish priorities and provide technical reviews of projects before the PFA approves funding.

The mission of the PFA is to utilize its interagency authority to provide municipal financing expertise and infrastructure financing programs to enhance the environmental and economic vitality of the state.

To achieve its goals the PFA implements the following strategies:

- Target limited resources to high priority projects identified by regulatory agencies by following their project priority lists.
- Coordinate project funding with all other state and federal funding programs to leverage resources necessary to keep projects affordable.
- Coordinate activities of various funding partners to minimize duplication, administrative costs, and confusion.
- Maintain the credit quality (AAA rated) and viability of the PFA's revolving funds.
- Balance the current demand for project funding (including nonpoint source and point source needs) with the long-term lending capacity of the PFA's funds to maintain their critical role as an important financing tool for high priority projects in perpetuity.

Trends, Policies and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs

There are many factors affecting the growing demand for infrastructure financing in Minnesota. They include aging municipal infrastructure which is at or beyond its useful life; population growth and shifts, both of which create challenges for infrastructure investment; the overall economic downturn, putting pressure on local government budgets and reducing their ability to fund projects locally; growing awareness of the impacts from stormwater discharges and failing individual septic systems in unsewered communities and lakeshore areas; new standards imposed on drinking water to protect public health and safety; and an increased focus on impaired waters and the development and implementation of total maximum daily load (TMDL) studies to restore the ability of those waters to meet their designated uses. In addition there are the challenges of meeting these needs while being mindful of the importance of energy and water conservation, and doing so in the context of a global economy that puts pressure on communities to keep costs of public services priced competitively.

Clean Water

The PFA's base clean water programs are the Clean Water Revolving Fund (CWRP) and the Wastewater Infrastructure Funding (WIF) program. The CWRP is the largest program and provides assistance through low interest loans to municipalities of all sizes throughout the state. The WIF program provides supplemental assistance grants to communities with high priority projects based on affordability criteria. WIF makes up about 10 percent of the total state assistance for wastewater.

In addition to the base clean water programs, funds have been appropriated from the dedicated Clean Water Legacy Fund for three other programs: the Total Maximum Daily Load Grant Program, Phosphorus Reduction Grant Program and Small Community Wastewater Treatment Program. These programs were created to provide assistance to communities that are being required to provide an increased level of treatment. Funding priorities for all PFA clean water programs follow the PCA's Project Priority List.

The Pollution Control Agency (PCA) 2012 Project Priority List includes 350 projects totaling \$1.5 billion. The CWRP loan program is the primary source of financing for municipal wastewater projects and is expected to receive

federal funding through FFY 2013, but at significantly reduced levels from the peak in 2010. States are required to provide a minimum \$1 state match for every \$5 of federal funding.

Drinking Water

The Drinking Water Revolving Fund (DWRF) provides low interest loans to municipalities for improvements to their drinking water infrastructure and is the state's primary source of financing for these projects. Threats to drinking water can come from contamination such as bacteria, viruses or nitrates from animal or human activities, naturally occurring inorganic chemicals such as arsenic, or radioactive elements such as radon. In addition, municipalities have growing needs to rehabilitate and replace infrastructure such as wells, water mains, water towers, and treatment plants. The Health Department's 2012 Project Priority List includes 362 projects totaling \$432 million. The DWRF is expected to receive federal funding through FFY 2013, but at significantly reduced levels from the peak in 2010. States are required to provide a \$1 state match for every \$5 of federal funding.

Describe the Agency's Long-Range Strategic Goals in Relationship to Capital Request:

State Match for the Clean Water Revolving Fund: The PFA's highest priority capital request is the state match to the CWRP (and the DWRF described below). The CWRP is the primary wastewater financing tool available to municipalities and historically has provided over 80 percent of all state funding of wastewater construction. The PFA manages the CWRP with assistance from the PCA, and also provides money from the Fund to PCA and Department of Agriculture for their nonpoint source loan programs. Demand for wastewater loans exceeds \$300 million per year, almost three times the CWRP's average annual long-term lending capacity of \$102 million. The PFA has used its bonding authority to make loans at higher levels but this is not sustainable without additional capitalization. To capture the federal USEPA capitalization grants the state is required to provide a \$1 to \$5 match.

State Match for the Drinking Water Revolving Fund: Along with the state match to the CWRP described above, this is the PFA's highest priority capital request. The DWRF is the primary financing tool available to municipalities

for drinking water projects. The PFA manages the DWRF with assistance from the Department of Health (MDH) and also provides money from the Fund to MDH for a variety of technical services, including public water supply supervision, wellhead protection, and technical assistance to small communities. Demand for drinking water loans exceeds \$160 million per year, almost four times the Fund's average annual long-term lending capacity of \$43 million. The PFA has used its bonding authority to make loans at higher levels but this is not sustainable without additional capitalization. To capture the federal USEPA Capitalization Grants the state is required to provide a \$1 to \$5 match.

Wastewater Infrastructure Fund: The Wastewater Infrastructure Funding Program (WIF) provides supplemental assistance to communities that are unable to finance projects solely through CWRP loans. For communities eligible to receive grants from the United States Department of Agriculture Rural Development (RD), the WIF matches RD grants by providing up to 65% of the grant need. Communities not eligible for RD grants may receive WIF grants in conjunction with CWRP loans when average per household system costs exceed 1.4% of the median household income.

Small Community Wastewater Treatment Loan and Grant Program.

This program is designed to allow the construction of publicly owned and operated individual and cluster subsurface sewage treatment systems on a voluntary basis by the homeowner in very small communities (too small to require a permit by MPCA). It provides 100 percent financing in the form of a loan, or 50 percent loan and 50 percent grant when the income levels are below the state average. This is a critical program to eliminate straight pipe discharges and the pollution caused by failing septic systems as part of the state's effort to restore impaired waters.

Total Maximum Daily Load (TMDL) Grants. The TMDL grant program provides 50 percent grants to municipalities that are required to make improvements to their wastewater treatment systems based on a TMDL study and implementation plan. As of 8/10/2011 the MPCA has completed 58 TMDL studies and identified approximately 500 municipal projects as contributors to impaired waters. There are another 69 studies underway that will most likely expand this list. Funding priorities follow the PCA's Project Priority List so the funds will be directed to the highest priority construction projects and can be used in conjunction with the Clean Water Revolving

Fund to provide complete project financing. This is a key program in providing assistance to communities to address impaired waters.

Phosphorus Reduction Grants. The Phosphorous Reduction Grant program provides 50 percent grants to municipalities for the treatment of phosphorous to address MPCA's phosphorous requirements of one milligram per liter. Funding priorities follow the MPCA's Project Priority List and can be used in conjunction with the Clean Water Revolving Fund for major wastewater treatment upgrades.

Provide a Self-Assessment of the Condition, Suitability, and Functionality of Present Facilities, Capital Projects, or Assets

The PFA does not own or operate facilities covered by this request.

Agency Process Used to Arrive at These Capital Requests

PFA staff works with its funding and regulatory partners (Health, PCA, DNR, USDA Rural Development, Army Corps of Engineers, and DEED's Community Assistance Unit) to assess the demand for funding and the opportunities to maximize other funding to fully fund high priority projects that should be ready to proceed during the next two years. The capital requests were reviewed by the PFA Board on 06-20-2011 and were approved for submission to Minnesota Management and Budget and the Governor's Office.

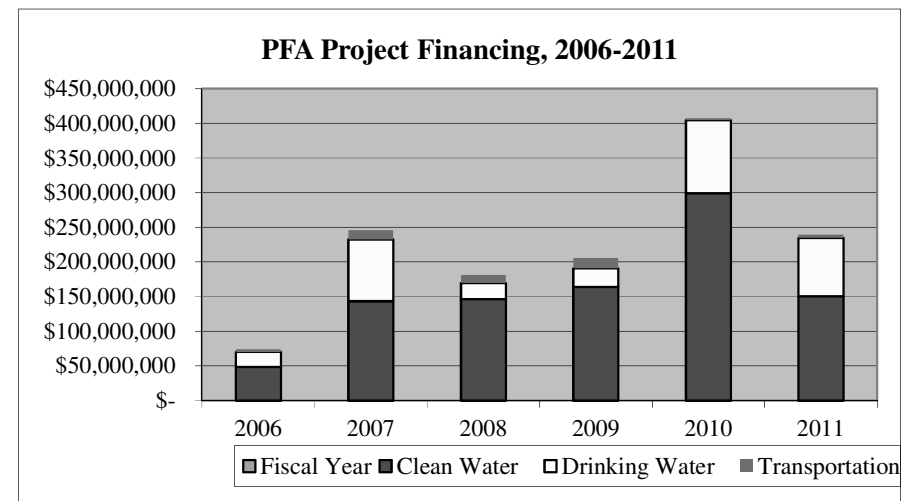
Agency Capital Budget Projects During The Last Six Years (2002-2007):

The PFA made its first loan in July of 1989 and has since provided over \$3.1 billion dollars of financing to local governments throughout the state for wastewater, drinking water, roads, bridges and transit projects. From FY 2006 through 2011, the PFA has provided \$1.3 billion in 341 revolving fund loans, including \$907 million for 188 Clean Water loans, \$321 million for 139 Drinking Water loans, and \$52 million for 14 Transportation loans.

Also during the period of FY 2006 through 2011, the PFA allocated \$12.9 million from the Clean Water Revolving Fund to the MDA and PCA for their nonpoint source loan programs, bringing the total CWRWF allocation for these programs to \$88.1 million. These funds, combined with previous loan repayments, have resulted in over \$190 million in loans to private landowners to implement over 15,000 projects to reduce nonpoint source pollution.

From FY 2006 through 2011, the PFA also funded 92 projects for \$91.9 million in grants and deferred loans under the Wastewater Infrastructure Funding program. In addition, from FY 2007 through 2011, the PFA funded 31 projects for \$18 million under the Total Maximum Daily Load (TMDL) Grant Program, 17 projects for \$6.2 million under the Phosphorus Reduction Grant Program, and 35 projects for \$1.4 million under the Small Community Wastewater Treatment Program.

PFA Revolving Loan Fund capital project funding by state FY 2006 through 2011:



State Matching Funds for USEPA Capitalization Grants

2012 STATE APPROPRIATION REQUEST: \$17,077,000

AGENCY PROJECT PRIORITY: 1 of 2

PROJECT LOCATION: Statewide

Project At A Glance

State Matching Funds for U.S. Environmental Protection Agency (EPA) and Capitalization Grants for Clean Water and Drinking Water Revolving Funds.

Project Description

The Public Facilities Authority (PFA) is seeking \$17,077 million in state funds to match expected EPA funds for federal FY 2013-14 at the rate of 1:5 (20%) for the Clean Water Revolving Fund (M.S. 446A.07), and the Drinking Water Revolving Fund (M.S. 446A.081). The State and Federal funds will be used to leverage PFA revenue bonds to provide low interest loans for clean water projects (wastewater and stormwater) and drinking water projects. In both programs, the state matching funds are used only for municipal, publicly-owned improvements.

FY	Clean Water Fed Cap. Grant	State Match	Drinking Water Fed Cap. Grant	
State Match				
2013	\$ 27,141	\$ 5,428	\$15,553	\$3,110.5
2014	\$ 27,141	\$ 5,428	\$15,553	\$3,110.5
Total	\$ 54,282	\$ 10,856	\$31,106	\$6,221

Impact on Agency Operating Budgets (Facilities Notes)

PFA operates the Clean Water and Drinking Water Revolving Funds from a combination of federal administrative funds and special revenues generated from fees on loan payments and grant applications, which together provide for administrative expenses for these programs incurred by the PFA, the

Minnesota Pollution Control Agency (MPCA), and the Minnesota Department of Health (MDH).

Previous Appropriations for this Project

Previous state match appropriations total \$227 million to match federal grants from 1989-2012.

Other Considerations

Low-cost financing through the PFA's clean water and drinking water loan programs is an important tool to help communities contain costs and remain economically competitive, while providing essential infrastructure to serve people and businesses throughout the State.

Funds are awarded to projects based on their ranking on Project Priority Lists prepared by the MPCA for clean water projects and the MDH for drinking water projects. Through FY 2011 the PFA has made below market rate loans from these two revolving funds in excess of \$3.1 billion which will result in interest savings to local taxpayers of over \$681 million compared to market rate financing.

Over the past several years demand for wastewater loans from the PFA has grown to well over \$300 million per year, more than three times the sustainable long-term annual lending capacity of the Clean Water Revolving Fund. Demand for clean water loans is driven by the need to replace aging facilities, provide additional treatment capacity, address more stringent phosphorus and other permit limits required by Total Maximum Daily Load implementation plans to address impaired waters, and address communities with problems from failing individual sewage treatment systems and straight pipes. These factors, coupled with the poor economy and the decline in other revenues for cities to pay for improvements, has led to the growing demand for PFA financing.

Demand for drinking water loans has also been strong, with \$170 million in total requests in FY 2012 IUP for 120 projects. The Drinking Water Revolving Fund has significant leveraging capacity, and with the expected federal capitalization grants and requested state match the PFA believes the Fund's

State Matching Funds for USEPA Capitalization Grants

lending capacity should be sufficient to continue to finance all the high priority projects.

To date, federal and state funds have been leveraged 2.7:1 through the PFA's issuance of AAA rated revenue bonds. Overall, each dollar of state matching funds has generated over \$13 in project construction. It should be noted that every dollar spent on municipal water and wastewater construction generates an estimated 4.6 cents in general fund revenues directly from the income tax, corporate income tax, and sales tax. The interest savings from PFA loans for local taxpayers has been almost \$3 for every \$1 of state matching funds.

The Clean Water and Drinking Water Revolving Funds have shown considerable financial strength to finance municipal water and wastewater projects. The AAA ratings of the PFA's clean water and drinking water bonds from Standard and Poors Rating Group, Fitch Ratings, and Moody's Investor Services reflects the financial strength of the funds, the credit quality of Minnesota communities, and the PFA's experienced staff and sound financial management of the programs.

Project Contact Persons

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Governor's Recommendations

The Governor recommends general obligation bonding of \$17.077 million for this request. Also included are budget planning estimates of \$17.077 million in 2014 and 2016.

Public Facilities Authority	Project Detail
State Matching Funds for USEPA Capitalization Grants	(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	3,121,994	272,463	272,463	272,463	3,939,383
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	3,121,994	272,463	272,463	272,463	3,939,383

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	152,573	17,077	17,077	17,077	203,804
Bond Proceeds Grants	30,000	0	0	0	30,000
General Fund Projects	24,500	0	0	0	24,500
General	4,444	0	0	0	4,444
Infrastructure Dev	15,600	0	0	0	15,600
State Funds Subtotal	227,117	17,077	17,077	17,077	278,348
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	878,117	85,386	85,386	85,386	1,134,275
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	2,016,760	170,000	170,000	170,000	2,526,760
TOTAL	3,121,994	272,463	272,463	272,463	3,939,383

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	17,077	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2017

Wastewater Infrastructure Fund

2012 STATE APPROPRIATION REQUEST: \$31,000,000

AGENCY PROJECT PRIORITY: 2 of 2

PROJECT LOCATION: Statewide

Project At A Glance

The Wastewater Infrastructure Funding Program (WIF) provides supplemental assistance in conjunction with funding from either USDA Rural Development or the Public Facilities Authority's Clean Water Revolving Fund to keep high cost projects affordable. WIF provides grants based on statutory affordability criteria for projects getting loans from the Clean Water Fund or match USDA Rural Development grants based on their affordability criteria. All WIF funds follow the Minnesota Pollution Control Agency's (MPCA) Project Priority List.

Project Description

The Public Facilities Authority (PFA) is seeking \$50 million for the Wastewater Infrastructure Funding (WIF) program (M.S. 446A.072). For high cost projects, WIF monies are used as grants either to match grant assistance provided by the U.S. Department of Agriculture (USDA) Rural Development, or to supplement loans from the Clean Water Revolving Fund when the average household costs exceed 1.4% of the median household income.

For USDA Rural Development projects, the WIF program provides up to 65 percent of the grant eligible amount determined by Rural Development. Rural Development's grant calculations are determined by first looking at the amount of debt service and operation and maintenance costs a city can afford to pay based on a figure of 1.5 percent of its median household income, with the total grant then providing for 100 percent of construction costs above that level.

Impact on Agency Operating Budgets (Facilities Notes)

The partnership with USDA Rural Development is a cost effective strategy that has USDA field staff undertaking most of the field work involved in monitoring and reviewing the project through construction. Thus, communities that need the most help in working their way through the process have local USDA field staff available to assist them. USDA also has ability to take on the communities with the highest credit risks, which help the PFA's AAA bond ratings.

A very small portion of the WIF funds will be provided through an interagency agreement from the PFA to the Pollution Control Agency to pay staff costs that are directly attributed to WIF projects in accordance with accounting policies developed by the commissioner of management and budget.

Previous Appropriations for this Project

Previous appropriations from 1996-2011 for projects under the WIF program total \$187 million. As of June 2011, the PFA has awarded \$174 million in grants and loans to 143 projects. The remaining \$13 million is reserved for projects that have met required deadlines and are waiting for final approvals prior to bidding and for projects that are expected to receive USDA Rural Development funding commitments by 12-31-2011.

Other Considerations

WIF funds are directed to the highest priority projects from an environmental and public health standpoint based on their ranking on the Pollution Control Agency's Project Priority List that also have a demonstrated financial need for grant assistance. The WIF program helps small communities address their existing wastewater problems while keeping costs affordable for their residents.

The WIF program was designed to be a gap-financing tool used in conjunction with the Clean Water Revolving Fund and the USDA's Rural Development grant program for wastewater. Communities are required to seek grant assistance from other sources before becoming eligible for either WIF or the USDA Rural Development grant program. The unique state/federal partnership with Rural Development was designed to coordinate

Wastewater Infrastructure Fund

assistance to communities to keep the systems affordable, as well as make it easier and less confusing for many of the smaller communities to access funding.

An additional benefit is that the WIF grant match helps the Minnesota Rural Development office obligate all of its allotted federal grant and loan funds, making it eligible to go to the national pool for additional funds for Minnesota communities. It is important to have WIF funds available to match as many Rural Development funding commitments as possible so that the full allocation of federal funds stays in Minnesota.

The PFA will survey projects on the MPCA's 2012 project priority list and provide its report on WIF needs to the appropriate legislative committees by February 1, 2012.

Project Contact Person

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Governor's Recommendations

The Governor recommends general obligation bonding of \$25 million for this request. Also included are budget planning estimates of \$25 million in 2014 and 2016.

Public Facilities Authority	Project Detail
Wastewater Infrastructure Fund	(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	300	300	300	300	1,200
5. Construction Costs	717,420	53,700	47,700	47,700	866,520
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	717,720	54,000	48,000	48,000	867,720

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	154,214	31,000	25,000	25,000	235,214
Bond Proceeds Grants	27,000	0	0	0	27,000
General Fund Projects	1,700	0	0	0	1,700
General	3,000	0	0	0	3,000
Infrastructure Dev	1,100	0	0	0	1,100
State Funds Subtotal	187,014	31,000	25,000	25,000	268,014
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	200,000	8,000	8,000	8,000	224,000
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	330,706	15,000	15,000	15,000	375,706
TOTAL	717,720	54,000	48,000	48,000	867,720

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	31,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2017